

FLSmidth & Co. Group Interim Report for Q1 2024

Strong gross margin leading to continued improvement in profitability

Highlights in Q1 2024

- Mining order intake showed organic growth of 3% reflecting stable Service market and large Products order wins
- Mining revenue declined organically by 11% due to timing of order execution
- Group gross margin of 29.2% driven primarily by strong margin execution in Mining
- Adjusted Mining EBITA margin of 11.5% driven by continued strong execution and realised synergies
- Good progression on all our science-based sustainability targets
- Separation of Mining and Cement businesses progressing according to plan
- Financial guidance for the full year 2024 maintained

Group CEO, Mikko Keto, commented: *“We have had a good start to the year, where we have not only progressed on all our core transformation activities, but also seen further improvements in profitability in both Mining and Cement as well as shown good progression on all our Science Based Targets. The market dynamics in the mining industry remain unchanged compared to prior quarter. Consequently, we continue to see a stable and healthy service market, whereas the products market – despite the recent increases in key commodity prices such as copper and gold – remains softer due to persisting hesitation by some customers on larger investment decisions as well as continued permitting issues in many countries. The largely stable cement market provides good opportunities for our Service business in our core market clusters, further de-risking of our Products business to preserve profitability is ongoing. The good start to the year makes us confident that we can achieve both our ambitions for 2024 as well as our long-term targets.”*

Commercial performance, Q1 2024 versus Q1 2023

Mining order intake was on par with the level from Q1 2023 (increase of 3% if excluding currency effects). Service order intake decreased by 4%, mainly driven by currency effects and a very high order intake in the comparative quarter. Products order intake increased by 9%, supported by two large orders with a combined value of DKK 680m announced in the quarter. Service and Products comprised 67% and 33% of the total Mining order intake in the quarter, respectively (compared to 70% and 30% in Q1 2023, respectively).

Cement order intake decreased by 22% (no effects from currencies in the quarter). Service order intake decreased by 11%, reflecting the divestments of the AFT and MAAG businesses as well as the exit from select markets. However, during the quarter, we have seen underlying growth in orders for spare parts and professional services within our core market clusters, partly offset by lower orders for upgrades & retrofits. Service and Products comprised 69% and 31% of total Cement order intake in the quarter, respectively (compared to 60% and 40% in Q1 2023, respectively).

The order backlog for the **Non-Core Activities (NCA)** segment amounted to DKK 479m at the end of Q1 2024 compared to DKK 531m at the end of Q4 2023 and DKK 2,085m at the end of Q1 2023. It remains the expectation that the segment will be fully exited by the end of 2024.

Group order intake decreased by 7% (decrease of 4% excluding currency effects). Service order intake decreased by 8%, driven by relatively lower order intake for both the Mining and Cement businesses.

Products order intake decreased by 5% driven by lower Cement Products orders. Service and Products represented 67% and 33% of total order intake, respectively, which was unchanged compared to Q1 2023.

Financial performance, Q1 2024 versus Q1 2023

Mining revenue decreased by 14% (decrease of 11% if excluding currency effects). Service revenue decreased by 11%, primarily due to lower revenue within spare parts and consumables driven by timing of order execution as well as the ongoing exit from basic labour services. Products revenue decreased by 21% due to continued de-risking of the order backlog and timing of backlog execution. Gross profit increased by 11% and the corresponding gross margin increased by 7.5 percentage points to 32.9%. Adjusted for transformation and separation costs of DKK 42m, the EBITA margin was 11.5% in Q1 2024. Including these items, the EBITA margin was 10.3% compared to 6.5% in Q1 2023.

Cement revenue decreased by 24% (decrease of 23% if excluding currency effects). Service revenue decreased by 19% due to the divestments of the AFT and MAAG businesses. Products revenue decreased by 30% driven in part by the continued pruning of our product portfolio, exit of larger projects as well as the impact from the divested businesses. Gross profit decreased by 26% as a result of the lower revenue, inventory write-downs and costs related to the separation of the Mining and Cement businesses. The corresponding gross margin decreased by 0.7 percentage points to 22.8%. Adjusting for transformation and separation costs of DKK 36m, the EBITA margin was 7.7%, partly driven by the net gain from the divestment of the MAAG business. Excluding this gain, the Adjusted EBITA margin was 5.2%. Including the aforementioned transformation and separation costs as well as the net gain, the EBITA margin was 4.7%.

NCA revenue amounted to DKK 50m. Gross profit was negative and amounted to DKK -40m, reflecting the general volatility and operationally loss-making nature of the segment. EBITA amounted to DKK -62m, corresponding to an EBITA margin of -124%.

Group revenue decreased by 20% (decrease of 17% if excluding currency effects). Gross profit increased by 1% reflecting good margin execution, mix effects and continued de-risking, partly offset by lower revenue in the quarter as well as costs related to our ongoing transformation activities and the pure play separation of the Mining and Cement businesses. The corresponding gross margin increased by 6.0 percentage points to 29.2%. Excluding transformation and separation costs of DKK 78m, the Adjusted EBITA margin was 9.2%. If including these items, the EBITA margin was 7.5%. Cash flow from operating activities (CFFO) amounted to DKK -352m driven by changes in net working capital, partly offset by changes in provisions.

Other business

On 22 January 2024, FLSmidth Cement entered into an agreement to sell the MAAG gears and drives business to Solix Group AB. The transaction closed on 1 March 2024 and includes all related assets, including intellectual property, technology, employees and customer contracts.

On 4 March 2024, FLSmidth acquired the Canadian mill engineering, supply and services provider, Farnell-Thompson Applied Technologies Inc. The acquisition is aligned with FLSmidth's Mining CORE'26 strategy, which includes targeting service growth through strategic investments and prioritisation.

Financial guidance for 2024

Financial guidance for 2024 is maintained. The guidance reflects the ongoing business simplification and transformation efforts, continued improvement in the core Mining business, realisation of the full cost synergies from the Mining Technologies acquisition, continued profitability progress in the underlying Cement business and the ongoing exit from the Non-Core Activities segment.

Mining	Cement	Non-Core Activities	Consolidated Group
Revenue (DKKbn) 16.0-17.0 <i>(DKK 3.6bn)</i>	Revenue (DKKbn) 4.0-4.5 <i>(DKK 1.2bn)</i>	Revenue (DKKm) 250-350 <i>(DKK 50m)</i>	Revenue (DKKbn) 20.0-21.5 <i>(DKK 4.8bn)</i>
Adj. EBITA margin 11.5-12.5% <i>(11.5%)</i>	Adj. EBITA margin 5.5-6.5% <i>(7.7%)</i>		Adj. EBITA margin 9.0-10.0% <i>(9.2%)</i>
		EBITA (DKKm) Loss of DKK 200-300 <i>(Loss of DKK 62m)</i>	EBITA margin 7.5-8.5% <i>(7.5%)</i>

Note: Numbers in brackets represent Q1 2024 results.

Earnings call

A presentation of the results will take place on **15 May 2024 at 11:00 CEST**. Mr. Mikko Keto (Group CEO) and Mr. Roland M. Andersen (Group CFO) will comment on the report and developments in the Group. The presentation will be followed by a Q&A-session. The presentation is available at: www.flsmidth.com/reports-and-presentations.

Live audio-webcast

The presentation can be followed live or as replay **via the internet** [here](#).

If you wish to ask questions during the Q&A-session, please sign up [here](#). After registration, you will receive phone numbers, pin codes and a calendar invite. Please note that you will receive two codes (a pass code and a PIN code), both of which are needed when dialling into the webcast.

Presentation slides

The presentation slides will be made available shortly before the scheduled start of the webcast at www.flsmidth.com/reports-and-presentations.

Consolidated key figures Q1 2024

<i>DKK million unless otherwise stated</i>	Q1 2024	Q1 2023	Change (%)	FY 2023
Order intake	5,248	5,632	-7%	21,376
- of which service order intake	3,505	3,795	-8%	14,183
- of which products order intake	1,743	1,837	-5%	7,193
Order backlog	17,482	22,027	-21%	17,593
Revenue	4,839	6,016	-20%	24,106
- of which service revenue	3,130	3,682	-15%	14,236
- of which products revenue	1,709	2,334	-27%	9,870
Gross profit	1,415	1,397	1%	6,087
Gross margin	29.2%	23.2%		25.3%
Adjusted EBITA	443	362	22%	1,919
Adjusted EBITA margin	9.2%	6.0%		8.0%
EBITA	365	235	55%	1,438
EBITA margin	7.5%	3.9%		6.0%
Profit for the period	194	84	131%	491
CFFO	(352)	(404)	13%	623
Free cash flow	(306)	(428)	29%	366
Net working capital	1,935	2,613	-26%	1,382
Net interest-bearing debt	(830)	(1,187)	-30%	(639)

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About FLSmidth

FLSmidth is a full flowsheet technology and service supplier to the global mining and cement industries. We enable our customers to improve performance, lower operating costs and reduce environmental impact. MissionZero is our sustainability ambition towards zero emissions in mining and cement by 2030. We work within fully validated Science-Based Targets, have a clear commitment to reducing the sustainability footprint of the global mining and cement industries and aim to become carbon neutral in our own operations by 2030. www.flsmidth.com.